

## Message Text

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ACTION EA-06

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C O N F I D E N T I A L JAKARTA 12117

LIMDIS

EO 11652: GDS

TAGS: ENRG PFOR ID

SUBJECT: INDONESIA'S PETROLEUM POLICY

SUMMARY: CONVERSATION WITH MINISTER OF NATIONAL ECONOMY  
WIDJOJO DISCLOSES INDONESIA'S INTEREST IN OUTSIDE ADVICE  
ON ARRANGEMENTS WITH OIL COMPANIES. INTEREST IS MANIFESTATION  
OF CONTINUING DECISION TO ATTRACT FOREIGN INVESTMENT ON TERMS  
AS FAVORABLE AS POSSIBLE TO INDONESIA. END SUMMARY.

1. ON SEPTEMBER 14 I HAD FIRST OPPORTUNITY SINCE COMPETITION  
OF NEGOTIATIONS WITH OIL COMPANIES TO DISCUSS MATTER WITH  
MINISTER OF PLANNING AND NATIONAL ECONOMY WIDJOJO. ALL  
INDICATIONS HAVE BEEN THAT, WHILE MINISTER OF MINING SADLI  
AND PRESIDENT OF PERTAMINA HARYONO HAVE BEEN DIRECT  
NEGOTIATORS, WIDJOJO HAS BEEN SETTING PETROLEUM POLICY.

2. AT OUTSET OF CONVERSATION WIDJOJO EXPRESSED APPRECIATION  
FOR ROLE OF EMBASSY IN RECENT NEGOTIATIONS. I EXPLAINED  
THAT WHILE U.S. GOVERNMENT WAS NOT DIRECTLY INVOLVED IN  
RELATIONSHIPS BETWEEN INDONESIAN GOVERNMENT AND AMERICAN  
COMPANIES, WE WERE NOT INDIFFERENT TO OUTCOME. WE HAD  
FOUND THAT WE COULD SERVE USEFUL ROLE BY COMMUNICATING  
GENERAL VIEWS AND CIRCUMSTANCES OF RESPECTIVE PARTIES.

3. WIDJOJO KNOWS, AMERICAN COMPANIES FELT THAT RECENT  
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OIL NEGOTIATIONS WERE CONDUCTED IN MANNER AND ATMOSPHERE

DIFFERENT FROM PAST. SOME WERE BOTH CONFUSED AND CONCERNED OVER WHAT THEY REGARDED AS DIMINISHED COMMUNICATIONS, PARTICULARLY AT TOP LEVEL. WE HAD SOUGHT TO EXPLAIN TO COMPANIES NEW ORGANIZATION OF RESPONSIBILITIES AND DECISION-MAKING ON OIL MATTERS WITHIN GOI.

4. I STRESSED TO WIDJOJO EMBASSY NOT IN POSITION TO EVALUATE ECONOMICS OR PROPOSALS OF COMPANIES BUT I DID FEEL THAT CRISIS OF CONFIDENCE EXISTED WHICH COULD WELL HAVE EFFECT ON COMPANIES' FUTURE INVESTMENTS. FUTURE INVESTMENT PATTERN WAS IMPORTANT NOT ONLY TO INDONESIA BUT TO COUNTRIES WHICH SHARED INTEREST IN INDONESIAN DEVELOPMENT. I SUGGESTED INDONESIA MIGHT WANT TO TAKE FURTHER STEPS TO GET INDEPENDENT EVALUATION OF COMPANIES' FUTURE INVESTMENT PLANS.

5. WIDJOJO AGREED AND COMMENTED THAT HE WAS ALREADY RECEIVING INVALUABLE ADVICE FROM TWO AMERICAN FIRMS, PRICE WATERHOUSE AND ARTHUR YOUNG. HE WAS NOW SEEKING OUTSIDE CONSULTANTS WHO COULD ASSIST IN TECHNICAL EVALUATION OF SIZE OF INDONESIA'S OIL RESERVES.

6. I SUGGESTED TO WIDJOJO THAT THERE WAS PERHAPS ALSO THIRD AREA WHERE ADVICE MIGHT BE HELPFUL. COMPANIES PLANNING FUTURE PETROLEUM INVESTMENTS NATURALLY LOOKED AT CONDITIONS IN INDONESIA IN COMPARISON WITH OTHER AREAS OF OPPORTUNITY. INDONESIAN PROSPECTS FOR FUTURE INVESTMENT DEPENDED, THEREFORE, ON COMPARATIVE ADVANTAGES IN RATE OF RETURN AND STABILITY OF CONTRACT WITH OTHER AREAS SUCH AS GULF, NIGERIA, AND NORTH SEA. THERE WERE EXPERTS IN THE FIELD TO WHOM INDONESIA MIGHT WISH TO TURN.

7. WIDJOJO SAID IMMEDIATELY THIS WAS GOOD IDEA WHICH HE HAD NOT PREVIOUSLY CONSIDERED AND ASKED WHETHER USG MIGHT BE IN POSITION TO SUGGEST NAMES OF CONSULTANTS. I SAID I WOULD REPORT THIS INTEREST TO DEPARTMENT.

8. WIDJOJO SAID HE WAS ALSO CONSCIOUS OF PROBLEMS OF CONFIDENCE AND OF FACT THAT CHIEF EXECUTIVE OFFICERS OF AMERICAN COMPANIES NO LONGER FELT THEY HAD TOP LEVEL CONFIDENTIAL

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ACCESS AS ON PREVIOUS OCCASIONS. PRESIDENT SUHARTO COULD NOT RECEIVE OIL COMPANY EXECUTIVES WHILE NEGOTIATIONS WERE IN PROGRESS. WIDJOJO WAS GIVING THOUGHT TO HAVING PRESIDENT RECEIVE CHIEF EXECUTIVES OF PRODUCING COMPANIES SOME TIME SOON. IT SAID THIS WOULD BE WELCOMED AND SUGGESTED THAT THE MORE INFORMAL THE ATMOSPHERE THE GREATER POSSIBILITY OF USEFUL RE-ESTABLISHMENT OF RAPPORT. WIDJOJO AGREED AND SAID ALSO THAT THOUGHT

HAD BEEN GIVEN TO HAVING MINISTER SADLI GO TO U.S. TO MEET WITH CHIEF EXECUTIVES THERE. I AGREED THIS WOULD BE USEFUL BUT I FELT THAT MEETING AT PRESIDENTIAL LEVEL AT SOME POINT WOULD BE IMPORTANT. I REMINDED WIDJOJO THAT HIS NAME WAS NOW KNOWN BY COMPANY EXECUTIVES ANT THAT THEY WOULD WANT TO MEET HIM AS WELL. WIDJOJO SAID HE WOULD SHORTLY BE DISCUSSING WHOLE QUESTION OF FUTURE RELATIONSHIPS WITH COMPANIES WITH SADLI, PIET HARYONO, AND MINISTER OF TRADE PRAWIRO.

9. AT CONCLUSION OF MEETING WIDJOJO COMMENTED BRIEFLY ON PERTAMINA PROBLE. HE SAID GOI NOW SEE LIGHT AHEAD AND THAT MOST PROBLEMS ARE UNDER CONTROL. TANKER QUESTION REMAINS MAJOR HEADACHE. INDONESIA HAD HOPED TO RENEGOTIATE TANKER CONTRACTS DIRECTLY BUT COURT CASES AND SUGGESTIONS FOR ARBITRATION NOW MADE TI NECESSARY FOR INDONESIA TO RESPOND FORMALLY. HE THOUGHT MOST ARRANGEMENTS COULD BE NEGOTIATED ALTHOUGH RAPPAPORT ARRANGEMENTS WERE TOO FAR OUT OF LINE FOR TRUE NEGOTIATIONS.

10. COMMENT: WIDJOJO OBVIOUSLY REFLECTS CONCERN THAT RECENT OIL NEGOTIATIONS MAY HAVE CREATED CRISIS OF CONFIDENCE AND MAY AFFECT FUTURE INVESTMENT. I BELIEVE IT IS IN OUR INTEREST TO HELP INDONESIA GET MORE PRECISE PICTURE OF REALISTIC FUTURE PROSPECTS. TO THIS END I HOPE THAT DEPARTMENT CAN RESPOND WITH LIST OF QULAIFIED PETROLEUM CONSULTANTS WHO COULD ADVISE INDONESIA ON ITS INVESTMENT PROSPECTS AFTER RECENT CONTRACT CHANGES. I MADE IT CLEAR TO WIDJOJO THAT WE COULD NOT ENDORSE ANY PARTICULAR CONSULTANTS AND THAT GET BALANCED PICTURE INDONESIA MIGHT WANT TO CONSULT MORE THAN ONE. I HAVE IN MIND PERSONS SUCH AS WALTER LEVY, A.J. MEYER AT HARVARD AND MAURICE ADELMAN OF MIT. PERHAPS AMERICAN  
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PETROLEUM INSTITUTE COULD BE HELPFUL IN SUGGESTING OTHERS.

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## Message Attributes

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